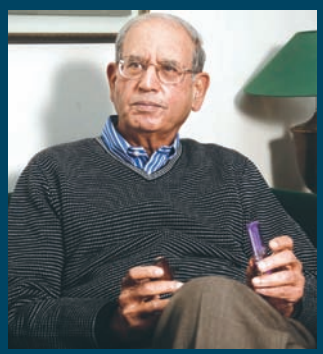
DEFENCE SPECIAL-2010



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DEFENCE SPECIAL

forced modernization

Kickstarting fourth generation warfare

Upgradation to contemporary capability is enabling the Indian Army to be ready for battle across the spectrum of conflict

by LT GEN NOBLE THAMBURAJ

MODERNIZATION of a million-strong Army is a complex and dynamic process impacted by operational challenges, emerging technologies and budgetary support. Review of modernization of the Indian Army is a periodic institutional exercise wherein force levels, and gestation periods as well as lifetime support of equipment are assessed against the desired capabilities. The resultant outputs form the basis for formulation of the Long Term Perspective Plans (covering 15 years), Service Capital Acquisition Plans (five-year plans) and Annual Acquisition Plans. Currently, the 10th modernization plan of the Army is under preparation. Its priorities are to maintain capability to deal with the entire spectrum of conflict, build strategic nuclear deterrence, the capability to secure the island territories, maintain out-of-area capability and provide assistance to UN troops. The 11th Defence Plan has earmarked a substantial component of the budget for modernization. The focus is on precision firepower, air defence, aviation, Future Infantry Soldier as a System, infrastructure development, network-centricity and achieving battlefield transparency through improved surveillance, night vision and target acquisition.

The government has repeatedly assured that an enhanced defence outlay will be available to achieve modernization goals. With the formulation of the Defence Procurement Procedure (DPP)-2008 and reforms in procurement procedures, the pace of capital procurement has increased, resulting in overall enhanced combat effectiveness and utilization of allocated financial outlay.

In the prevailing era of strategic uncertainty, while terrorism has become the primary threat, the external and internal threats and challenges faced by India are such that a large Army is still required to be maintained. Also, a high

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From the Editor-in-Chief

THIS month's cover story is not a call to arms, a prescription for an arms race, or an advocacy of jingoism. Even though the headline uses the word "war" in capital letters, the inside package on which it is based is a comprehensive attempt to analyse whether the governance of the nation's defence sector has kept pace with the demands that accompany changing threat and security perceptions.

We have not created war scenarios or invited writers to construct war games. That is a totally different exercise. What we have done is to look at our preparedness in the 21st Century. Has our government learned anything from the past and current conflicts that have plagued our borders with Pakistan and China? Is it now in a state of readiness to ward off Kargil-like surprises after all the soul-searching that has taken place in the post-war scenario? Do we have any credible deterrence – in addition to the traditional geopolitical posturing and diplomacy and economic measures – for China's new assertiveness in our region? The future demands futuristic responses and whether India has a solid 21st Century security mindset is what the cover story is all about. It is not just about bravery and soldiering which, thank heavens, India has in abundance. It is also about whether the defence establishment, bureaucracy and politicians are capable of matching the gallantry of our soldiers with courageous governance.

Perhaps the most comprehensive article on this subject is by security analyst Deba Mohanty. For reasons of space we had to omit some of his main observations and recommendations. But, since they represent the thread that is common to all the other articles in our cover story package, I thought it better to summarize them in this editor's note.

He argues, quite correctly, that trends in the global defence industry have unleashed a set of challenges and opportunities ranging from adjusting to the competitive nature of the arms trade to forming partnerships in production. It is imperative that India formulate a policy document on defence procurement, and lay out a roadmap for the defence sector. Governance must focus on reforming higher defence management with the objective of achieving self-reliance in defence as well as protection of the national interest. So far, issues related to defence procurement have largely been the monopoly of government circles. But, as Mohanty observes, in today's rapidly changing scenario, many stakeholders – academe, private industry, think tanks — have emerged, and their participation is vital in ushering in 21st Century preparedness.

INDERJIT BADHWAR

LETTERS: I'm a former civil servant (IAS, MP, 1956), currently Managing Trustee of People First, a trust dedicated to instituting. Your publication does a commendable job of highlighting the work of the IAS bureaucracy and the role it has played in the development of India and its people.

Based on my own experience, however, I would like to bring to your notice an aspect of the failing of the IAS. When India was to attain independence, Gandhi talked of instituting *Ram raj*. According to Hindu scriptures, the *dharma* or duty of the state is to allow every local entity, that is, villages and cities, coordinated by the *janpath* (district), to govern itself. The

Continued on page 4

LETTERS

Continued from page 3

state can demand not more than one-sixth of the local revenue. Controlling five-sixths of local revenue, the villages and cities prosper, while the state too becomes prosperous. Gandhi called such egalitarian democracy village republics. My book, *Betrayal of Gandhi: who envisioned truly egalitarian democracy*, is due for publication. It shows up the failings of our pseudo democracy.

Santosh Kumar Sharma, via email

Your view does hold ground ("Blindfolded approach", January 2010). But the article has intermingled leniency and loopholes. You are saying that an Act passed to include special cases, where the accused would otherwise escape through loopholes, is morally wrong. But it is the loopholes that need to be plugged through reforms, not only in law but also in law enforcement agencies. A competent judge can very well make out the difference between a terrorist and someone falsely implicated.

Rishi G, on blog

Excellently briefed for the audience, maybe RBI will plan something.

Harish Arora, on blog

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DEFENCE SPECIAL

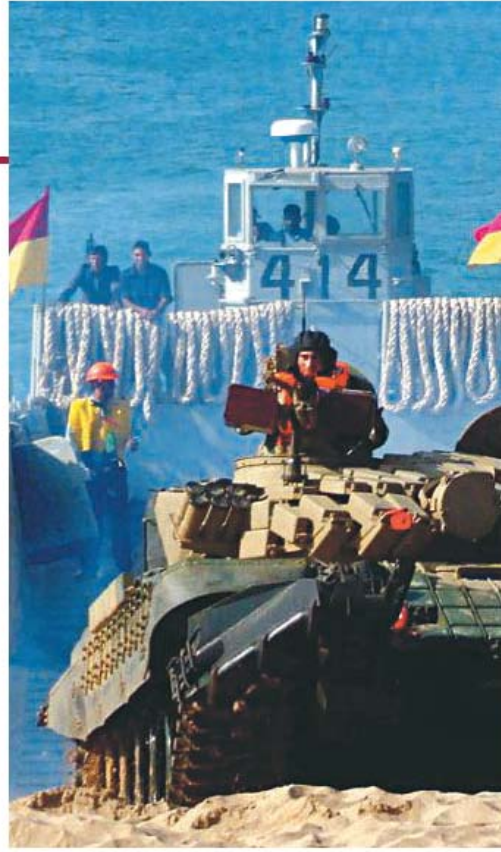
modernization of army

Continued from page 2

degree of preparation and operational readiness remains necessary as conventional war, though improbable, cannot be categorically ruled out. The nature of warfare is changing and evolving rapidly. There is a significant overlap today between external threats, proxy war, counterinsurgency and counterterrorism operations. Internal and external security have become inextricably linked.

THE Army is fully alive to this transition. It, therefore, needs to remain prepared and trained to fight across the spectrum of conflict. We also need to build credible "out-of-area contingency" capabilities to protect our interests and render military assistance to friendly countries, including humanitarian assistance or disaster relief, when mandated. Accordingly, our defence capability planning is based on a "threat-cum-capability" approach with focus on upgradation of our operations capability through modernization, force restructuring, technology absorption and commensurate infrastructure development in a phased manner. Concurrently, human resource development is being given a renewed focus to facilitate induction of quality manpower to support a technology-oriented army. We are also consciously working towards preparing our leadership to acquire skills to be able to respond dynamically to the changing security paradigm.

Induction and modernization of equipment/weapon system in a large army like ours has to be organized in a pragmatic manner. Considering the receding span of the technological cycle, the right balance has to be maintained between state-of-the-art, current and obsolescent technologies. To ensure this, our modernization programme has envisaged having an appropriate mix of



weapons/equipment, comprising 30 per cent state-of-the-art technology, 40 per cent current technology and 30 per cent nearing obsolescence, which can be upgraded.

In order to modernize with hi-tech weapons, artillery systems, unmanned aerial vehicles (UAVs) and other advanced systems and munitions, a multi-billion dollar induction plan has been chalked out. These high-technology platforms, systems and other assets will accentuate the Army's capabilities when integrated with Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) systems. The Army aims to be equipped with this state-of-the-art weaponry and platforms in the next five to seven years.

The Army is extensively engaged in ongoing Internal Security (IS) and counterinsurgency operations (CI) and simultaneously needs to prepare for a future border conflict that may spill over to a larger conventional war in the plains. In keeping with these twin requirements, it has decided to upgrade the IS and CI capabilities of infantry battalions as well as enhance their firepower-mobility-EW

Arjun, Bhishma and Ajeya

THE indigenously designed Arjun main battle tank (MBT) has many good features. However, it has failed to meet the Army's GSQR for an MBT and orders have been placed for only 124 tanks to be manufactured. The order for the next 124 tanks is dependent on the ongoing comparative trials. The lack of progress on the Arjun MBT has slowed down the pace of armour modernization. India therefore signed a deal with Russia to acquire 310 T-90S tanks in 2000. Subsequently, we decided to acquire another 347 T-90S tanks and assemble them. The first Indian-assembled T-90S (Bhishma) rolled off the production line on January 8, 2004.

While T-90S Russian tanks have provided new teeth to India's strike formations in the plains and corrected the imbalance that had resulted from Pakistan's acquisition of T-80 UD from the Ukraine and the Al Khalid tanks jointly designed with China, a large number of T-72 (Ajeya) tanks are still awaiting modernization. The lack of a suitable fire control system and night fighting capability are major handicaps. Armour modernization is now proceeding smoothly.

(electronic warfare) punch for a possible war in the plains or mountains. The Army Chief's modernization vision is to "adapt to high-end technology, improve night-fighting capability, information technology, information warfare and network-centric warfare".

While Kornet-E anti-tank guided missiles (ATGMs) with thermal imaging sights have substantially increased the anti-tank capability of infantry battalions, most efforts to modernize the equipment held by infantry and Rashtriya Rifles (RR) units are aimed at enhancing capability for surveillance and target acquisition at night and boosting their firepower for precise retaliation against infiltrating columns and terrorists holed up in built-up areas. About 200 hand-held thermal imaging devices (HHTIs) with ranges up to 2,000 m for observation at night and stand-alone infra-red, seismic and acoustic sensors with varying capabilities have enabled infantrymen to dominate the Line of Control so completely that infiltration has reduced to almost a trickle.

The newly acquired weapons, which complement these surveillance and observation devices, include 1,500 X 84 mm rocket launchers, including some disposable ones; 1,000 AMRs (anti-material rifles); 8,000 UBGLs (under-barrel grenade launchers); 4,000 new generation carbines; 300 bulletproof vehicles; and several hundred accurate sniper rifles. However, the numbers acquired and the ammunition stocks are still inadequate and need to be made up more rapidly. New 5.56 mm assault rifles of bull-pup design with an integrated laser range finder and grenade launcher are under development. Efforts are also being made to provide infantry platoons and sections with integrated GPS-based navigation system, secure lightweight walkie-talkie radio sets, and better protective gear with a helmet that incorporates a built-in head-up display. The Army's infantry battalions also need their own mini or micro UAVs like Elbit's Skylark or Rafael's Skylite, among others, to improve their surveillance capability during conflicts. These UAVs should have a range of about 10 to 15 km, should be lightweight (less than 10 kg), hand-launched, carry a single payload like a daylight video camera or infra-red camera for night operations, and should be inexpensive enough to be dispensable. Project F-INSAS would greatly empower the soldier and must be accorded the highest strategic priority.

The only area in which the Army is lacking is its air defence systems. The Kvadrat missile system that has been the backbone of AD for strike formations since the early 1970s are aging and need urgent change.

The mechanized infantry is equipped with the BMP-2 ICV Sarath of which over 1,000 have been built since 1987. A new variant is the 81 mm Carrier Mortar Tracked Vehicle (CMTV) that is based on the chassis of the Sarath ICV and has been indigenously developed to enhance the integral firepower available to mechanized infantry battalions. Other variants include a command post, an ambulance, armoured dozer and engineer reconnaissance vehicles.

Mechanized reconnaissance and support battalions need better surveillance radars, fire-and-forget ATGMs and effective night-fighting capability. However, their capabilities can be upgraded on a lower priority compared with infantry battalions that are engaged in border management and IS/CI operations.

As part of the modernization, Special Forces will be equipped with lightweight weaponry to enable them to take swift action during close combat operations. Apart from Tavor assault rifles, they will get helmets fixed with night vision binoculars and headphones for communications. Their body armour will comprise lightweight bulletproof vests. During his recent visit to Agra, the COAS mentioned that Special Forces would form our spearhead in Fourth Generation Warfare (4GW).

In addition, elaborate modernization is underway for Sappers, Signals and Army Aviation.

THE only area in which the Army is lacking is its air defence systems. The Kvadrat missile system that has been the backbone of AD for strike formations since the early 1970s are aging and need urgent change. Replacement of all AD weapons approaching obsolescence is not financially viable due to the high cost of such systems. A dual track approach is thus being followed to upgrade selected weapon systems and replace others.

Enhancing night-fighting capability is a priority of the Army. Concerted efforts are being made to eradicate night blindness of the Infantry, mechanized forces and other combat support units. Intelligence, surveillance and reconnaissance capabilities are also being enhanced in a phased manner. The Army is hopeful of achieving requisite capabilities during the 11th Plan period.

The operational logistics of the Army is another success story. Tremendous enhancement has been achieved in infrastructure, force mobilization, repair and overhaul of equipment, ordnance depots, ammunition management, medical support and the like. These will reflect positively on the force capability and morale of troops.

To counter the recent media reports, which suggested that operational preparedness of the Army had suffered as its modernization drive had slowed, the Army reiterated on December 4, 2009 that it is fully prepared, battleworthy and capable of countering any challenge at very short notice. It clarified that modernization is a deliberate process and is progressive in nature. The shortfall of military hardware is reviewed at regular intervals and projected after deliberations based on operational requirements, to keep pace with its modernization efforts.

Lt Gen PC Bhardwaj, VCOAS, who oversees the Army's modernization, has stressed that a number of measures have been taken to ensure optimum realization of modernization plans with maximum utilization of budget allocations. Evolution of Annual Acquisition Plans after detailed deliberations and their periodic reviews have helped in monitoring progress and lending impetus to the modernization plan. Streamlining of procurement processes as related to formulation of General Staff Qualitative Requirements, scaling, categorization, Request for Proposal, trials and Transfer of Technology is reviewed regularly.

Gen Thamburaj retired as Vice-Chief of the Army after a 40-year career. He is a postgraduate in engineering from IIT, Delhi.

Artillery Modernization

THE Artillery modernization plan is of utmost priority. The major acquisitions will be of initial lots of 400 towed howitzers of 155 mm calibre, with a barrel length of 52 calibres, costing about Rs 4,000 crore; 140 ultra-lightweight 155 mm towed howitzers, with a barrel length of 45 calibres, costing Rs 3,000 crore; and 180 SP 155 mm howitzers, costing Rs 5,000 crore. The Shakti project for command and control systems for the artillery, called Artillery Combat Command and Control System (ACCCS), has reached the stage of maturity and is now being fielded up to the regimental level. Two regiments of the 12-tube, 300 mm Smerch Multi-Barrel Rocket Launcher (MBRL) system with 90-km range have been operationalized recently. This will be a major boost for long-range firepower capabilities. Extended Range (ER) rockets are being introduced for the 122 mm Grad MBRL which will enhance the weapon system's range from 22 to about 40 km.

A Rs 5,000-crore contract has also been signed for the serial production of the Pinaka MBRL weapon system, another DRDO project executed with help from L&T and Tata. A regiment of BRAHMOS supersonic cruise missile (Mach 2.8 to 3.0), with precision-strike capability, very high kill energy and a range of 290 km, has already been operationalized. It is a versatile missile that can be launched from TATRA mobile launchers and silos. Efforts are underway to further increase its strike range. BrahMos Aerospace has orders from the Army for two additional regiments. These missiles are virtually immune to countermeasures due to their high speed and very low radar cross-section and are far superior to subsonic cruise missiles.

NTPC

The Virbhadra regime
diligence, prudence and paradox

EVERY day, the first floor of the Steel Ministry in Udyog Bhawan has an important early arrival – the Minister himself, Virbhadra Singh. He comes in at 10.30 am and is in the office till 6.30 pm. Pin-drop silence reigns on the entire floor as long as the Minister is present.

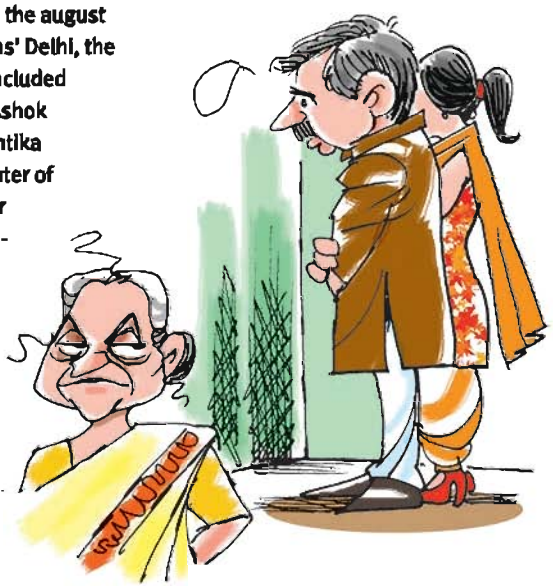
Visitors easily get the feeling that they are about to meet a Minister from Himachal Pradesh. The first indicator is the sight of the peon with a trademark Himachali cap outside the door. Virbhadra does not believe in wasting money on redecorating the office but he does believe in *vastu*. Earlier, his desk would face west. He has rearranged the furniture and now sits facing the east.

His two confidants – Amar Pratap Singh, an IPS officer from the Himachal Pradesh cadre who is PS to the Minister, and Amitpal Singh, APS – can be seen scurrying through the corridors. The paradox is that the Minister does not run his Ministry directly but by proxy through the PSUs.

Rap on Dikshit knuckles
priyanka affronted at party

AT a recent party in the august environs of Lutyens' Delhi, the clutch of guests included Priyanka Gandhi Vadra, Ashok Tanwar and his wife, Avantika Maken, greatgranddaughter of former President Shankar Dayal Sharma and daughter of Lalit Maken, and Sandeep Dikshit and his wife, among others. The chirpy Avantika welcomed Priyanka and behaved charmingly. But Dikshit's wife did not even greet Priyanka.

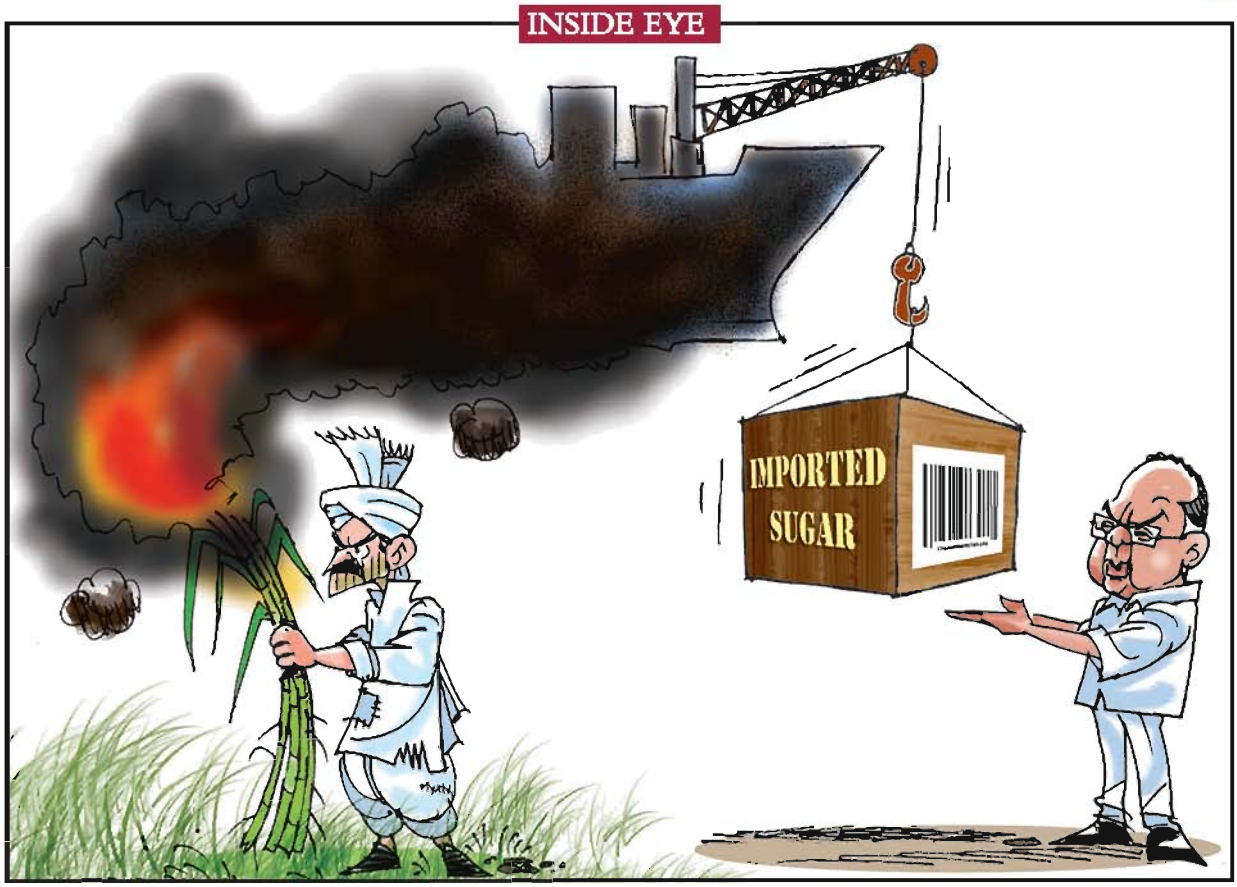
Apparently, Priyanka was so miffed that Mummy Dikshit and son were given a talking to.



Mayawati's clean-up act
police's augean stables washed

THE words "police recruitment" strike terror in the hearts of senior officials in the UP government. This is because of the scandal involving police recruitment in earlier regimes. However, the Mayawati government has clamped down on corruption in the senior echelons of the police. The recruitment procedure is now technology-driven with the focus being on physical fitness, as was evident during recent recruitment.

On Mayawati's orders, running chips were



ILLUSTRATIONS: ARUNA

installed in the candidates' shoes. During the physical exam, measurements were jotted down on the spot. The interview, which afforded scope for manipulation, was done away with. Best of all, during the recruitment of women, the candidates' parents were ready to bribe officials and medical personnel but there were no takers.

Diggy camp in jitters
taxman hounds babus

WHAT better way to achieve instant fame, than by flooring the high and mighty? Anoop Dubey, an Additional Director at Aayakar Bhawan in Bhopal, has become the toast in bureaucratic circles after issuing notices to the wives of all senior bureaucrats who have paid heavy insurance premia. The notices require them to submit details of income.

These Principal Secretaries and Additional Chief Secretaries are those officers who once formed Digvijay Singh's work force during his two terms as Chief Minister. Sources say he zeroed in on these officers after ascertaining their political alignments and affiliations.

Digvijay or Diggy Raja, as he is popularly called, is shocked. Dubey also raided one of his supporters, confirming the perception that he is out to dismantle the administrative network of the former CM. Some quarters feel the situation demands an inquiry to probe the possibility of a conspiracy against Diggy Raja or the Congress.

Igniting the 'COLD START' doctrine

Despite strategies on paper, our capability to face battle on two fronts is far from being achieved

by Col R Hariharan

ARE we ready for a 21st-century war? The Army chief, General Deepak Kapoor's reported comment on the revision of India's "cold start" military doctrine to achieve the capability to take on China and Pakistan on two fronts at the same time might tempt us to answer in the affirmative to the above question.

But, as a nation of dreamers, our record in translating ideas into action has not been a happy one. Our well-crafted plans often remain just fine print on paper. Even in matters of national security, we have been lagging in giving life to our strategic concepts.

The Cold Start Doctrine was drawn up in 2004 when the bitter experience of Kargil was fresh in military planners' minds. The war had laid bare our weaknesses in fighting wars in which terrorism and conventional operations are seamlessly interwoven. It also drove home the real possibility of a confrontation with Pakistan turning into a nuclear one.

The Doctrine focussed on multiple offensive strikes against Pakistan, using battle groups of mechanized forces. The Doctrine was designed to cut down mobilization time after the hiccups during Op Parakrama in the wake of the terrorist attack on Parliament.

For any offensive doctrine to succeed, close air support, greater density of mechanized forces, heavier artillery firepower and high mobility are key elements. Most important, a forward-thinking political leadership with the mental strength to give a green signal is the fundamental requirement for pro-active offensive strategy.

Since 2004, the Army and Air Force have carried out a number of joint exercises with troops to test the doctrine. Similar joint exercises with the Navy have also been held. So the three services were on the ball in implementing the Cold Start strategy.

Chinese soldiers: double jeopardy?

'With a nuclear overhang with both Pakistan and China, the Indian military operations to neutralize the Chinese and Pakistani threats has to be fast-paced, facilitated by a high degree of synergy' between the Army, Navy and Air Force.

Sadly, the political leadership appeared to be cold to the Cold Start. Either it is not conscious of the key role it has to play in making a success of the doctrine or it is indifferent to the strategic requirements. It is difficult to understand Defence Minister AK Antony's readiness to apologetically proclaim India's peaceful intentions instead of chastizing the Pakistani Army for belligerently commenting on the two-front strategy. It was left to Pakistani columnist Ayaz Amir to do that. He said, "If an Indian Army chief were not to envisage the possibility of a two-front war, and mull over the means of waging it, he

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would deserve to be sacked." The Minister's response brings home the truth that the leadership's political priorities would always outweigh national security considerations.

If the government had been serious about its role as per the 2004 doctrine, the three services would not be having huge backlogs today in their basic tools of trade. They are in bad shape for no fault of their making. In the words of veteran journalist Shekhar Gupta, "The larger state of our armed forces has begun to resemble 1962."

The complacency seems to be all-pervasive. It is typical of the national attitude to security that it was left to the Comptroller and Auditor General to critically comment about the battle-worthiness of the armed forces!

THOUGH as many as 12 well known defence manufacturers have been blacklisted for corrupt practices, not more than a handful have been indicted. Therein hangs a sordid tale of defence procurement. This is taking a toll of our combat readiness more than any strategic plans of adversaries.

The Army is still in the quest for tanks. Its missiles are not even of late 20th-Century vintage. Since 1987, new guns for the artillery have not been procured. Both the projects to manufacture 155 mm ammunition as well as buying 155 mm guns are in limbo. As a result, by 2008 the Army had to make do with just 400 plus Bofors guns as against its long-term plan for 3,600 artillery guns by 2025.We seem to be endlessly short-listing weapons for procurement and not going beyond that. Then there is the manpower shortage with nearly 25 per cent deficiency in officers.

In spite of all the hype about the increasing Chinese naval presence in the Indian Ocean, the Navy is not in happy shape. More than half of India's submarines are not battle-ready. The CAG says 63 per cent of the submarine fleet would be ready for phase-out by 2012. The radars are too old and too few to provide any credible defence against an air attack. Submarine procurement and production are facing perpetual hiccups. And overall naval strength is at an alarming low of 135 ships!

The Air Force fares no better; from a 45-squadron force it is down to 32 squadrons. It is deficient of 136 fighters. The IAF's radar acquisition plans have not been cleared due to repeated delays

The Cold Start Doctrine was drawn up in 2004 when the bitter experience of Kargil was fresh in military planners' minds.

in the tendering process and objections by the CVC on the purchase of Israeli radars has led to a lowering of air defence capabilities. The Air Force's story of woes seems endless.

The last straw was the report by a group of 13 scientists about the failure of the fusion test (H-bomb) during the Pokhran-II nuclear tests of 1998, contrary to official claims. This has cast grave doubts about our nuclear bomb capabilities. Even the service chiefs have expressed their concern on this.

Defence research and public sector responsible for manufacture of weapons and ammunition have been holy cows of successive governments. It is high time these cows are tethered and milked for accountability and productivity.

The two-front strategy is to handle an emerging strategic scene in which China is increasing its strategic reach in our neighbourhood in Pakistan, Nepal, Sri Lanka and Myanmar. And the Pakistani Army is being modernized with American cash with obscurantism having come to stay.

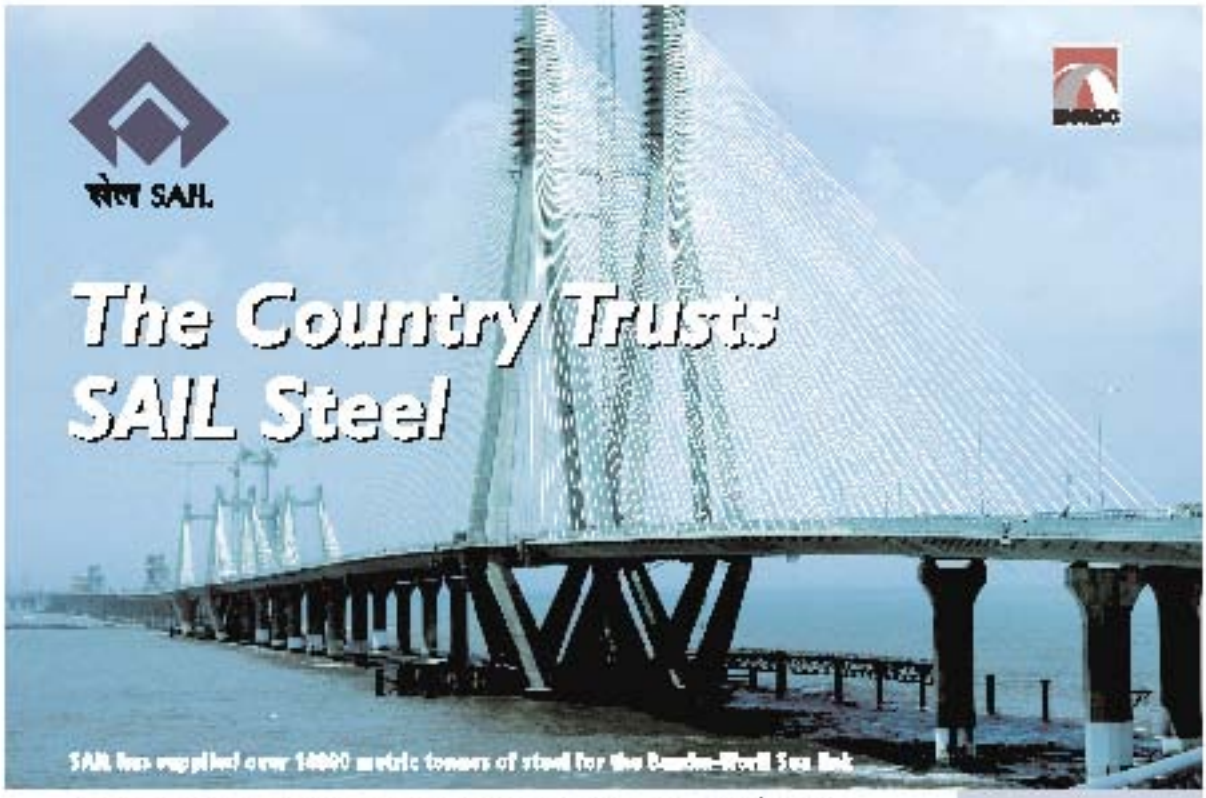
The two-front doctrine is the strategic expression of India's aspirations as a regional power graduating to a global power status. It envisages short and swift operations.

As analyst Subhash Kapila says, "With a nuclear overhang with both Pakistan and China, the Indian military operations to neutralize the Chinese and Pakistani threats has to be fast-paced, facilitated by a high degree of synergy" between the Army, Navy and Air Force. That is why the Army chief has emphasized technology-oriented inputs of C4I2 (this is military acronym for command, control communications, computers, intelligence, and information technology) for activating the new doctrine.

Twenty-first Century military technology has compressed to minuscule proportions our reaction time in readiness for war. In a nuclear setting, even to survive, nations have much more to do in much less time. We have already wasted too much time; as a result, our two-front strategy is starting with its feet hobbled by outdated mindsets and methodologies, and indifferent political leadership.

But the silver lining is the increasing public awareness on these issues thanks to the media reach and hype. Our battles are here and now with ourselves to give the wherewithal to the armed forces to deliver what they promise.

German philosopher Arthur Schopenhauer said, "All truth passes through three stages. First, it is ridiculed. Second, it is violently opposed. Third, it is accepted as self-evident." It is time we accepted the truth and got ready.



Since its inception SAIL has significantly contributed in the development of all major infrastructure in the country. SAIL steel has been and presently is being used in several projects of national importance. A few are listed below:

Chandrayaan – SAIL supplied steel for tanks used to store liquid propellant in the Reaction Control System package of the Polar Satellite Launch Vehicle (PSLV) which carried the Chandrayaan-I satellite into space.

Airports – M/s Mumbai International Airport Ltd. (MIAL) entrusted the job of modernisation of Mumbai Airport to Pratibha Pipes & Structurals Pvt. Ltd. who have completed a major portion of the job using Plates and SAIL TMT. SAIL Steel has also been used in the modernised Delhi International Airport.

Shivalik – Specially toughened warship grade SAIL steel was used in the Shivalik, the first Indian warship to be made with Indian steel.

J&K Railway Line – This 340-km-long railway line will join the Kashmir valley with the Indian Railways network. The project area falls in seismic zone-V. SAIL steel is being used because of its reliability and durability.

Power Projects – SAIL is supplying various steel products, for major thermal and hydro power projects such as Barh, Chandrapur, Mejia, Dadri, Jhajjar, Simhadri, Lower Subansiri, Kakkam, etc. It is primarily supplying plates, SAIL TMT bars and structurals among other products.

Bandra-Worli Sea link – Promoted by Maharashtra State Road Development Corporation, this link connects the island city of Mumbai with its western suburbs.

SAIL has supplied over 14000 metric tonnes of steel for this project.

Commonwealth Games 2010 – SAIL Steel is being used in the JLN Stadium, National Stadium & the Talkatora Stadium would be hosting various events of the prestigious Commonwealth Games to be held in Delhi in 2010. SAIL Steel is being used in the upgradation of these stadia to world class standards.

Delhi Metro – Delhi Metro has become the pride of nation's capital within a very short time. SAIL is proud to be a contributor in making of this metro-marvel.

Irrigation Development – SAIL has provided various sizes and grades of steel for several irrigation projects across the country such as Tapi, Indiragandhi, Rajivsagar, among others.

Steel Plants – Most upcoming green-field and brown-field steel plants are depending on SAIL steel for their construction.

Windmills – Suzlon, a renowned name in windmills, is using SAIL steel for setting up windmills in Maharashtra and other regions in India. Plate mill plates in sizes varying from 10 to 40 mm are being used for the wind-mills.

Defence – SAIL is meeting the high quality steel requirements of the Indian defence including that for Aircraft carriers, submarines, etc.

Railways

Hydro Power

Defence (Warship)

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State of THREAT

Internal and external security, and indigenization of defence industry are issues that need priority consideration

by ANIL BHAT

THE events and developments of the past couple of years should leave no doubt in any decision-maker's mind as to what India's threats are and what it has on the ground to counter them. It is ironic that it took India's rogue neighbour's pet anti-India resource, the Lashkar-e-Toiba's Mumbai attack to shake New Delhi out of its torpor but, a year and a quarter later, there has been very little forward movement towards meeting the urgent requirements for the country's external and internal security.

The Defence Ministry took about half a century after Independence to open its windows to Indian industry. Almost a decade-and-a-half later, marked by an increasing response from Indian industry and despite exhibitions, expos and so on, and repeated assurances about easing and speeding up of defence purchase procedures, India's defence services are seriously under-equipped and under-modernized, denying them the vital cutting edge they had till 1971. Meanwhile, Pakistan and China have been stocking up with the latest versions of weapon systems.

Admiral Sushil Kumar told me, "Kargil may have happened a decade ago but all indications are that alarm bells are ringing for our mainline security forces who have to cope with a double jeopardy situation, with the Naxal menace inside and the belligerent Chinese knocking on the door. Our military credibility remains suspect. We should honestly ask ourselves – how did we reach this sordid impasse, when all was hunky-dory until the 1971 victory over Pakistan."

A recent CII-KPMG report titled "Opportunities in the Indian Defence Sector: An Overview" analyses opportunities in the defence and aerospace sector about which Indian industry is upbeat. Eager to grow its capabilities in this space, industry is looking to the government to continue its process of developing and fine-tuning the procurement regime and industry-drivers that will enable growth of a robust and sustainable defence industry in India. The report attempts to analyse the evolution of the defence procurement process, defence industrialization strategy, and defence taxation regime while suggesting some measures.

India's defence spending has grown manifold since the country announced its first defence budget in 1950. While the Army accounts for a majority of the budget, the Air Force has the largest procurement programme. The Army, being personnel-heavy, accounts for 50 per cent of the budget, of which only approximately 25 per cent of expenditure is incurred under the capital head with the remaining being spent on maintenance of equipment and personnel. Unlike the Army, the Air Force and the Navy spend the majority of their budgets on capital expenditure.

India maintains an extensive defence industrial base with 40 Ordnance Factories and eight DPSUs engaged in manufacture of state-of-the-art weapons and systems for the armed forces, aiming to achieve self-sufficiency and indigenization of defence manufacturing. In terms of value of production, DPSUs account for over 65 per cent of the total industrial output of all defence public sector entities in India. During 2007-08, the value of production by DPSUs totalled nearly Rs 192 billion – an increase of over 20 per cent over the previous year.

The private sector in the Indian defence industry is still evolving. Major industrial houses like Tata, Mahindra, Kirloskar, and Larsen & Toubro have diversified into the defence sector, form-

It is ironic that it took India's rogue neighbour's pet anti-India resource, the Lashkar-e-Toiba's Mumbai attack to shake New Delhi out of its torpor, but there has been little forward movement towards meeting the urgent requirements for the country's external and internal security.

SHARAD SAXENA

Surveillance radars: Intelligence is the key

ing joint ventures with foreign companies on both strategic and product-specific bases. In over six decades, the only worthwhile participation of Indian industry in the defence sector is supply of vehicles, equipment, spares, ancillaries, radars, electronic systems and the like, and not any weapons or munitions. The closest to these are missile launchers and platforms made by L&T.

THE Defence Procurement Procedure was created in 2002 to formalize the procurement process. Fast Track Procedure was promulgated in September 2001 to ensure expeditious procurement for urgent operational requirements foreseen as imminent or for a situation in which a crisis emerges without prior warning. A major new policy of DPP 2006 was the introduction of "offsets" in defence procurement, a tool to indigenize the defence industry.

The structures and processes for long-term planning and procurement have also been revised to provide greater transparency. "Buy" would mean outright purchase of equipment. Based on the source of procurement, this category would be classified as "Buy (Indian)" or "Buy (Global)". The former would mean Indian vendors only and the latter foreign as well as Indian vendors. "Buy (Indian)" must have a minimum of 30 per cent indigenous content if the systems are being integrated by an Indian vendor. "Buy and Make (Indian)" means a minimum of 50 per cent indigenous content on cost basis. Acquisitions covered under the "Make" decision would include high technology complex systems to be designed, developed and produced indigenously.

During the CII-organized Technical Seminar on Internal Security in February 2009, Anita Choudhary, Additional Secretary (CS), Ministry of Home Affairs, pointed out that terrorism, left-wing extremism and insurgency in the Northeast are major threats to India's security. She said there was a greater need for development of a domestic manufacturing base for sophisticated security technology and added that increase in the number of business establishments had raised the need for security. This, in turn, presented scope for security business establishments to help in building capacity in the security domain, including mobility equipment, communication devices, security equipment, forensic mechanism and so on.

Shaun Hipgrave of Forensic Telecommunications, UK, told me that education in the field of telephone forensic measures is a major requirement. Prior to 26/11, there was neither much knowledge nor consciousness about such equipment in India. Shortly before the Mumbai attack, he had met the head of the Maharashtra Anti-Terrorist Squad, Hemant Karkare, who was exploring the market for urgent requirements.

Artillery and anti-aircraft guns as well as many other crucial deficiencies of the Army have not been made good even 10 years after Kargil. In many cases, acquisition is scuttled despite the Army's approval, given after successful trials. Despite the assurances mentioned, there seems to be no doubt that from somewhere or the other, powerful pressure is being exerted to ensure that India's armed forces are not effectively re-equipped. The Air Force needs more aircraft, and the needs of the Navy and Coast Guard as well as other organizations involved in coastal security are multifarious and urgent.

The author, a strategic analyst, is Chief Editor, WordSword Features

In six decades, the only worthwhile participation of Indian industry in the defence sector is supply of vehicles, equipment, spares, ancillaries, radars, electronic systems, and not any weapons or munitions. The closest to these are missile launchers and platforms made by L&T.

A bargain bazaar

PHOTO: Frans Deby COPYRIGHT GRIPEN INTERNATIONAL

India is now geared to get the best at the most competitive prices

by KALYANI DATTA

INDIA, emerging as one of the world's biggest arms buyers, proposes to spend over $30 billion in the next five to seven years for defence procurement. Given this projection, nearly all the arms giants from the US, UK, France and Russia, among others, have set up shop in India to corner a share of this huge market.

Realizing its growing clout, the Indian government has gradually fine-tuned its defence procurement policies to get the best at the most competitive prices. Moreover, the coming years will see a pragmatic leadership using defence procurements to achieve diplomatic goals and rub shoulders with the advanced countries as an equal.

Also, India is keen to expand its own defence industry infrastructure and no longer wants simply a "buyer-seller" relationship with the exporting countries. Instead, India is now promoting joint ventures involving private and public sector undertakings with foreign vendors, joint development and manufacturing of weapon systems for in-house use, and exports and research in strategic weapon systems.

The BRAHMOS supersonic cruise missile is one such successful example of joint development by the Indian and Russian industries. The countries have now signed an agreement for joint development of fifth-generation strike aircraft and medium-size transport aircraft.

Starting with the NDA regime, successive governments have opened up the defence sector for foreign players. An elaborate Defence Procurement Policy was formulated in 2005 to attract foreign direct investment (FDI). Ensuring transparency, the policy aims at providing a level playing field to foreign vendors and the Indian private sector. The government will now keep changing the procurement procedures every year given the dynamic nature of the industry and changing global trends.

A major feature of the procurement policy is offsets. Any foreign player bagging a contract over Rs 300 crore will have to plough back a percentage of the contracted amount in the Indian industry. The aim of offset is to get hold of cutting-edge technology and enlarge the local industrial base rapidly.

India is likely to get over Rs 40,000 crore as offsets in the next five years with a major portion of this going to the fledgling local aerospace industry. It is an accepted fact that the US, UK, France and, to an extent, Russia became world leaders once their aerospace industry grew. Our political leadership has realized that a robust aerospace industry will propel India into the developed nations league.

Russia remains our biggest and most trusted defence and strategic partner. Over 70 per cent of the inventory, including tanks, guns, fighter jets, ships and related equipment used by the Indian armed forces is of Soviet and Russian origin. The last decade witnessed some problems cropping up in defence relations between the two countries after the disintegration of the Soviet Union. The Indian armed forces faced problems of supply of critical spare parts for tanks, planes and warships as many original manufacturing units were based in the Ukraine, which became an independent nation after the Soviet break-up.

Besides, industries in Russia were not in a position to meet India's demands due to political uncertainty.

Starting with the NDA regime, successive governments have opened up the defence sector for foreign players. An elaborate Defence Procurement Policy was formulated in 2005 to attract foreign direct investment (FDI)

Multi-role fighter: need of the hour

Matters improved once the then President, Vladimir Putin, starting taking a personal interest in India-Russia defence ties. An estimated $15 billion worth of deals are now in the pipeline, including aircraft carrier *Gorshkov*, rechristened *INS Vikramaditya*, 45 MiG-29K fighter jets, 230 Su-30 MKI jets, six Talwar class stealth frigates and 660 T-90 main battle tanks.

THE bulk of platforms will be imported in operational condition from Russia, but the rest will be manufactured by the public sector undertakings here as per technology transfer agreements. This will enable the local industry to master the technology and help the ancillary units, mostly in the private sector, to grow rapidly.

The US companies vying for the Rs 45,000-crore deal for 126 medium multi-role aircraft for the IAF have offered to invest in a big way in India if they bag the contract – billed the "mother of all deals". Rated as the biggest-ever defence deal, six companies, including two from the US and one each from Sweden, France, the UK and Russia, are in the race. The US companies, for the first time, are willing to share the latest technology in sectors like electronic warfare and set up units to manufacture planes within India.

While several countries are emerging as our defence partners, with Russia retaining the top slot, Israel has emerged as the second biggest defence exporter with annual trade pegged at $8-10 billion. Unlike others, the Israel defence industry maintains a low profile despite bagging major contracts. In fact, India-Israel defence ties have grown by leaps and bounds since diplomatic relations were established between the two in 1990.

Israel has some of the world's best industries in the field of hi-tech equipment, including electronic warfare, communications, upgrades and counterterrorism. In one of the biggest deals with India, it is now supplying Phalcon airborne early warning radar systems (AWACS).

Defence relations between the two countries strengthened when Israel came forward to help the Defence Research and Development Organization (DRDO) in some strategic programmes, including the Agni missiles. The Israeli-made radars successfully launched the missiles two years ago and scientists from the two countries are now working on at least 30 important projects.

Israel came forward without any

The US companies vying for the Rs 45,000-crore deal for 126 medium multi-role aircraft for the IAF have offered to invest in a big way in India if they bag the contract – billed the 'mother of all deals'.

strings attached during the 1999 Kargil war and supplied weapons to India at very short notice. India also favoured Israel as it transfers and shares technology with the local industry without fuss. Many key projects were stalled due to technology denial over the past two decades and ties with Israel revived them.

THE 750-km anti-infiltration fence along the Line of Control (LoC) in Jammu and Kashmir is an example of defence ties between the two countries. The Israeli-made thermal imagers and electronic surveillance systems installed at the fence have reduced infiltration by 70 per cent since the fence was erected five years ago.

The US is also slowly making its presence felt. All its arms manufacturing companies are aggressively marketing their products here. As of now, India has not opened up in a big way to the US due to its stringent laws relating to technology transfer for state-of-the-art systems. Despite these blocks, India and the US have gone ahead with deals through the foreign military sale (FMSA) route. The government-to-government transaction has seen India getting ANTPQ-37 fire-locating radar and the *USS Trenton* for amphibious warfare. Two other deals through the FMS route are in the pipeline, including C-130 planes for our Special Forces and C-17 heavylift transport planes.

SHARAD SAXENA

Agni missile: formidable deterrent

India is likely to get over Rs 40,000 crore as offsets in the next five years with a major portion of this going to the fledgling local aerospace industry.

India-US defence relations are expected to be on the upswing once the nuclear deal becomes operational and the US industries start doing business here. Sharing latest technology in the nuclear power generation sector will assure the US decisionmakers of India's impeccable record and curbs on technology transfer in the defence sector will be relaxed.

The forthcoming international defence exhibition in New Delhi in February will see nearly all the countries manufacturing and selling weapons showcasing their merchandise. Defence Minister AK Antony, who will inaugurate it, will face a pertinent question from the participants – on the long gestation period before a defence deal is inked. The delay seriously affects the pace of modernization and operational preparedness of the armed forces and the Service chiefs have openly stated this.

Wary of the political fallout since the Bofors gun deal controversy, the government now insists on transparency in procurement procedures. It has led to military and civil bureaucracy shying from taking decisions as they fear persecution later. This state of affairs has not improved much despite all parties realizing the folly of exploiting the controversies surrounding deals for political gain.

Backed by a clean political track record, Antony will have to assure the industry and his officials that he will not allow a witch hunt and give them a free hand to deliver the goods. g

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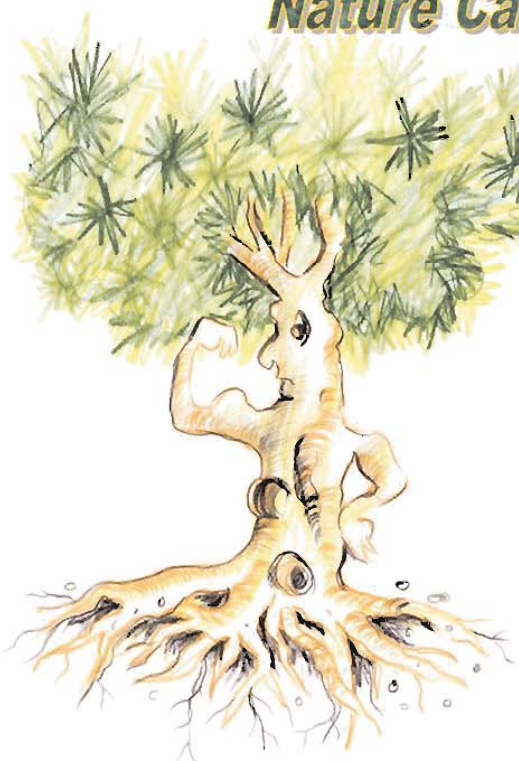

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Kitting 'em out

Our acquisition budget and procedures require thorough overhauling

by Maj Gen Ashok Mehta

THE importance of defence forces being adequately equipped cannot be overemphasized and most countries recognize this. In the past, the former Indian Navy Chief, Admiral VS Shekhawat, and the former Army Chief, Gen Shankar Roychoudhury, had stated that operational readiness was being undermined by paucity of funds. At the start of the Kargil war, Gen Ved Malik famously said: "We will fight with what we have."

Last month, the Northern Army Commander, Lt Gen BS Jaswal, told *The Hindustan Times* that the Indian Army was far behind in infrastructural development vis-a-vis the Chinese PLA – of the 27 projects, only six had been commissioned. He did not have to explain how lack of connectivity and absence of forward bases could degrade operational capacities. Unfortunately, there is no follow-up by the military chiefs of their statements of deficiencies – and neither by the services, nor by the government. The Kargil report never investigated why the Army inventory was underprovisioned to face the challenge. No Prime Minister or any Minister explained why troops were not equipped for battle.

The government has corrected the ratio between revenue and capital expenditure, progressively providing more funding for modernization, but no one has seriously enquired why money has been returned unspent to the Treasury over the last 15 years, amounting to more than Rs 50,000 crore. On an average, Rs 5000 crore and more flows back to correct the government's fiscal deficit. The Finance Ministry orders the MoD to return the unspent amount at the time of the Revised Estimate for the following year's Budget. The proposal of the NDA government to merge the unspent money in a rotating defence fund was abrogated by the UPA government.

The annual ritual of the Finance Minister's budgetary allocation speech is accompanied by the patriotic two-liner: "recognizing the sacrifice of jawans, more funds will be provided if required". The Defence Minister has commenced the charade of periodically announcing streamlining of defence acquisitions through updating the Defence Procurement Procedure. All that has been done is institution of annual revision of DPP instead of every two years.

A recent CII-sponsored report slammed the MoD for a variety of deficiencies in strategic policy, saying defence spending was not buying the quality of security required. It pointed out that by 2022, India will invest Rs 450,000 crore in internal and external security. Roughly $100 billion will go towards weapons acquisition while a similar sum will be spent on homeland security by 2016. The report records that foreign sellers take away about 70 per cent of the proceeds, the private sector receives 14 per cent while the remainder goes to the eight Defence Public Sector Undertakings (DPSUs) and 40 Ordnance Factories (OF). It points to a drawback in Foreign Direct Investment regulations, capped at 26 per cent, when only an increase of up to 49 per cent will attract foreign investment.

Year after year, the strategic lacunae in defence planning are pointed out but there is no rectification campaign. The reports of the Parliamentary Committee on Defence and other committees are ignored. No strategic visualization of India's regional power reach and potential for global outreach exists; and if it does, it is inside closed minds. Each service makes a grand plan; on paper there is also a tri-service plan. But all these ideas are bereft of higher political direction. The government does not state whether armed forces are to be ready for one, or two or maybe one-and-a-half front war; a limited war under a nuclear overhang; or that its main challenge is asymmetrical war. The services therefore make assumptions on priority of threats and challenges, and plan accordingly.

Without strategic vision and tri-service structures with a Chief of Defence Staff overseeing them, the Long Term Integrated Perspective Plan (LTIPP) is an aggregate of three service plans juggling with weapon systems rather than creating specific operational capabilities. The share of defence allocation is also fixed and leaves little room for any strategic switchover of capabilities.

The Defence Plan 2007-12 was not cleared by the government so the new LTIPP (2012-27) will factor in the recast Eleventh Five-Year Plan ending 2012. The government, needless to say, will merely look at it without providing any fiscal commitment.

Modernization plans never work to forecast for several reasons. Dogged by the Tehelka episode and the paranoia of the three Cs – CBI, CVC and CAG – you need a Richard the Lionheart to push the saint-hearted. On top of this is politics, which is hurting defence modernization. Late last year, the Vice-Chief of Air Staff, Air Marshal PK Barbora, told an international conference that political parties use defence procurement deals to settle political vendetta. "Internal politics is such that whenever defence require-

PIB

US Defence Secretary Gates with Manmohan Singh: Uncle Sam's lobby

The US has entered the Indian defence market in a big way though Russia is the vintage supplier as India's armed forces have a 70 per cent reliance on Russian equipment.

ments are cleared by government they are opposed by opposition parties and the same happens when roles change and opposition sits in government."

MoD blacklisting of foreign arms companies is further choking defence procurement. Not one artillery gun has been acquired since the dreaded Bofors in 1987 whose ghost has spiked companies like Denel, Israeli Military Industry, Singapore Technologies, Kinetic and Thales of France in fielding their guns for trials. In Britain, a committee headed by Bernard Grey has sought sweeping reforms in acquisitions, recommending change from obsessive procedures to timely operational deliverance. The report has been accepted. Grey has been asked to oversee its implementation.

Another lacuna is incompetence of the contract-making department in the MoD. Contracts are poorly framed due to shortage of legal experts in the defence acquisition system which falls under the purview of 13 different agencies while a contract is signed and four others to oversee its implementation.

The Defence Research and Development Organization (DRDO) is a big cog in the wheel of modernization. Given the history of time and cost overruns – euphemisms for non-performance – the government must take a strategic decision over its thrust and direction. The fate of the Arjun tanks, LCA, Cauvery engine and other non-materializing projects makes faith in DRDO minimal. As for self-reliance, 70 per cent of military equipment is still imported. DRDO has a huge empire of 51 laboratories and ancillaries and is too diffused. The P Rama Rao panel has suggested focus on a dozen or so critical technologies of strategic value and discarding of ventures like making mosquito repellents, solar panels and juices.

There are a host of other reports on the MoD table – from K Subrahmanyam, Vinod Mishra and Jeevan Committee. These need to be examined and implemented. In the next five years, defence contracts worth $30 billion and more will be negotiated. Direct capital acquisition between 1999 and 2004 was Rs 62,700 crore and has doubled in the past five years, ending 2009. The MoD inked as many as 465 arms contracts worth Rs 135,000 crore over the last three years. It is quite an achievement, given the self-created bottlenecks.

A trend gaining favour is charting the foreign military sales route, which – being government to government – bypasses private arms sellers. The US has entered the Indian defence market in a big way though Russia is the vintage supplier as India's armed forces have a 70 per cent reliance on Russian equipment. The US lobby and American influence will be a key factor in eroding Russia's monopoly as the number one seller of military hardware. Till 2002, India purchased just 12 weapon-locating radars worth $192 million after 20 years of negotiation. Between 2006 and now, after the India-US Civil Nuclear Agreement, contracts worth $3 billion are in the pipeline.

American influence is also seen behind the MoD's scrapping of the $1 billion contract for 197 Eurocopters and $1.5 billion project for six Airbus-330 MRTT mid-air refuelling aircraft. The $10.4 billion contract for 126 MRCA is to be signed later this year. It should not come as a surprise if India's defence diplomacy strikes a strategic balance – dividing the contract between the US and Russia.

With so much going on, it is high time India undertook serious reform to overhaul the defence planning budgetary and acquisition system. g

Moving forward.

Trends in the global defence industry have unleashed a s

by DEBA R MOHANTY

DURING the early 1990s, when the global defence industry, especially the US, was devising strategies to respond to a massive downturn in demands for weaponry, thanks primarily to the end of the cold war, India was witnessing a move towards an open market economy. India's leadership, assessing the "quest for self-reliance in defence", noted a dependence on imported weaponry as state-owned defence enterprises were far short of meeting demands. The problem was thrown into sharp relief when Chief of Army Staff General VP Malik famously said during the Kargil conflict that his forces would fight with whatever weapons they had. Since then, the defence sector has witnessed a series of reforms whose impact is slowly being felt.

Starting from structural changes in the higher defence organizations to the defence production and procurement sectors, the past few years have unleashed several challenges as well as opportunities. Consider this: India opened up its defence production sector for private participation in 2002 and allowed 26 per cent FDI. In the past seven years, the Indian defence procurement procedure has been revised five times, the latest one carried out as a set of amendments to the DPP-2008 in October 2009. New policy initiatives like defence offsets, ToT conditionalities, and offset banking have come in. Apart from the GoM report, which serves as the starting point of reforms in national security management, many committees – under Vijay Kelkar, Probir Sengupta and, the latest, P Rama Rao – have submitted their recommendations, which are being implemented.

The cumulative impact of largescale reforms initiatives takes time, but India is also undertaking a comprehensive military modernization drive which is likely to continue beyond 2020. Over seven years, India's military procurement budget has gone up from Rs 12,000 crore in 2002-03 to nearly Rs 54,000 crore in 2009-2010 (estimated) – an increase of 450 per cent. India is likely to purchase over $100 billion worth of weapons systems in the next decade. To get the best value out of such massive outflow requires prudence, which is slowly becoming evident through various reforms initiatives in the defence production sector. India has opened up its basket of choices in military procurement and, thanks to a growing Indian arms market, we are witnessing hectic military business activities involving Indian and foreign companies. Exhibitions like Def Expo and Aero India provide excellent platforms for interaction among such stakeholders.

The quest for self-reliance in defence has produced mixed results. Some of the lessons of the past 60 years are pertinent. First, the technology gap has facilitated scope for acquisition of production technology rather than design technology. Second, private participation in the defence industrial sector has come after long. This is attributable to several factors, ranging from the protective nature of the defence sector to fears of "security diffusion". However, institutions like CII argue that the government should come out with a clear "roadmap" for the private sector participants in defence. Third, the government is now encouraging the defence industry to have more independent joint-design, and development and production collaborations to reduce dependence on imports. Fourth, the government is also

Motorized weaponry: new force multiplier

Over seven years, India's military procurement budget has gone up from Rs 12,000 crore in 2002-03 to nearly Rs 54,000 crore in 2009-2010 (estimated) – an increase of 450 per cent.

d... but slowly

a set of challenges and opportunities for India

SHARAD SAXENA

India has opened up its basket of choices in military procurement and we are witnessing hectic military business activities involving Indian and foreign companies.

contemplating a viable strategy for exports of arms. The recent announcement of export-related incentives, including subsidies, for the industry is an example of this strategy.

It is also necessary to evaluate the current defence procurement policy. On the positive side, DPP-2008 entails the following. First, it clarifies distinctions between normal as well as extraordinary military procurement procedures. Second, "request for proposal" (RFP) will now have an elaborate format which will include detailed technical and commercial requisites to enable vendors to know what the end-user wants. Third, it tries to streamline evaluation procedures – technical, field and commercial – for large military acquisitions to avoid delays. It also tries to put a realistic time frame for each acquisition, depending on the nature and size of requirement. Fourth, it tries to avoid single-vendor situations by injecting a competitive spirit right from the "request for information" to the "solicitation of offer" stage. Fifth, it tries to distill "required" and "desirable" military technologies from a basket of choices by stipulating that all requirements will be examined by defence production, procurement and R&D boards, and final choices will be approved by the Defence Acquisition Council. And, lastly, it emphasizes offset obligations for vendors primarily through transfer of technology (IoT) routes.

However, these same provisions, cited as improvements, contain enough complexities to need in-depth examination and hence will necessitate further refinement. First, it is not the normal acquisition but exigency-based acquisition which will invite scrutiny. Second, under normal conditions the vendors know what the end-user wants as all essentials are elaborated in the RFP. What prospective vendors need to know are the nature, size and qualitative aspects of the Indian defence market. An adequate roadmap of military acquisitions is necessary not only to attract the best companies but also to create space for them for a long-term stake in the Indian defence industry. Third, time line is still a challenge for Indian planners, and the integrated defence staff office as well as the civil bureaucracy must take necessary steps to avoid delays. Fourth, the evaluation process is justifiably lengthy as systems go through rigorous evaluations under different climatic conditions. However, eleven steps to military acquisition still have scope for time reductions. A re-look is in order at steps like initial screening, technical and staff evaluations and commercial negations, for which a time frame should be set at the very outset. And provisions like offsets and transfer of technology should be clearly laid down. At the moment, vendors are clueless about offset obligation modalities. The objectives of offsets are three-fold: bringing back a portion of money spent on acquisition through industrial compensation routes, helping the Indian defence industry to raise its standard, and achieving self-reliance in military technology through collaborative as well as indigenous efforts. While offsets could bring in the desirable results in acquisition costs as well as help build the defence industrial infrastructure, it is unsure whether it would help raise the domestic standard in critical military technologies. DPP-2008 should not be looked at as a mere procedural document but an evolving guide to address complex issues and provide transparent solutions. g

(The author is a senior fellow at the Observer Research Foundation)

What mak e

India has never accorded due re

by Maj. Gen. Mrinal Suman

As India celebrated 60 years as a republic, one pondered the question of what makes nations great. Why is the US an undisputed world power? Why has Britain remained undefeated for centuries? Why has India succumbed to foreign rule so often? And why is India still struggling with internal dissensions and fissiparous forces?

A chance meeting with a British Army veteran in a train from Edinburgh to London proved highly revealing. According to him, the secret of British success lies in the public support and respect extended to soldiers. "Soldiers' loyalty to the nation and readiness for the supreme sacrifice are driven less by material considerations and more by an overwhelming urge to earn the love and respect of their countrymen. A grateful nation's recognition of their contribution to national security acts as the strongest motivator," he said. He recalled, "Before World War II, it was not uncommon to see placards hanging outside some restaurants in Paris which read 'Dogs, lackeys and soldiers not allowed'. On the other hand, even pregnant women used to get up and offer seats to soldiers in London buses. When the war broke out, France capitulated while Britain remained undefeated."

In an article written two days before the swearing-in of Barack Obama, his wife, Michelle, devoted 515 out of 863 words to soldiers and their families – "So as I watch Barack take that oath, I'll be thinking especially about those members of our American family who stand guard across the world and the loved ones who await their safe return....My husband and I are deeply grateful for the sacrifices that these families make to protect all American families. And we join them – today and every day – in praying for their loved ones and their safety. They don't ask a lot in return, just a Washington that understands the challenges they face as part of their extraordinary commitment to our country....My husband understands that commitment, and he will ensure America lives up to its end.

"On Tuesday night, my husband and I will tuck in our daughters like we always do. Their bedrooms will be different, their home unfamiliar. But they will drift off to sleep protected by that same sacrifice that has kept all of our families safe and safeguarded our freedom for generations – the sacrifice of our men and women in uniform and their families....For that, we could not be more grateful – or more proud."

Now let us compare this with the state of affairs in India. Can anyone recall a similar expression of sentiments by a national figure? Except for perfunctory platitudes on Independence Day, the government has singularly failed to show compassion for soldiers or tried to redress their genuine grievances. Apathetic political leadership and bureaucracy have failed to understand the intensity of the sense of hurt of our soldiers at their continued neglect and deliberate degradation.

Despite repeated representations, India still does not have a war memorial in the capital to honour independent India's martyrs. The Tomb of the Unknowns at Arlington in Washington, the Arc de Triomphe in Paris and the Cenotaph in London are admired by all Indian visitors. Yet, the absence of a suitable war memorial in New Delhi does not appear odd to them. Surprisingly, it does not even hurt the conscience of the nation. There is no other country that can be so apathetic to the memory of thousands of soldiers who have laid down their lives for its security.

The Urban Development Ministry is more concerned with preserving the vestiges of British rule and opposes a war memorial near India Gate in the name of preserving heritage. India Gate was built in the memory of soldiers who died in World War I during British rule. India has fought five wars since Independence and over 40,000 soldiers have made the supreme sacrifice. Opposition to a war memorial on frivolous grounds is an affront to the memory of martyrs and displays a shameless insensitivity to the feelings of those who

India still does not have a war memorial in the capital to honour independent India's martyrs. India wants to ape the West in sundry aspects but not in matters that affect the well-being and morale of the armed forces.

President Patil greets the three chiefs: honour matters

...es nations great?

...ue respect to its soldiers, and has paid the price

have lost relatives. But then, no political leader or bureaucrat can be faulted for their inability to appreciate these issues as they never send their progeny to the military.

Look at the treatment meted out to India's greatest military leader, Field Marshal Sam Manekshaw, the architect of India's greatest victory ever. It took the government decades to determine and release his dues. India has not found him worthy of its highest national honour, the Bharat Ratna. No political leader thought it necessary to attend his funeral. In Britain and the US, the head of state with full national leadership would have made it a point to be present to pay a nation's grateful respects.

Nelson's Column at Trafalgar Square occupies pride of place in London. London boasts of numerous statues of military heroes. No statues of political leaders are seen in the developed countries. India has failed to honour Manekshaw's memory in this way whereas statues of political leaders (even with suspect credentials) dot New Delhi.

In the recent past, India was witness to the most unfortunate sight of numerous military veterans returning their medals to the President to register their protest against the government's indifference to their pleas. Medals earned during active service are the proudest possessions of soldiers and their being driven to surrender them should have made the government sit up and take note. But, true to its wont, it remained unconcerned and unmoved. Not a single government leader or official considered it necessary to talk to the protesting veterans to resolve the issues. This episode will certainly go down as a dark chapter in the history of independent India.

India won the Kargil war of 1999 at a huge cost – 527 officers and soldiers sacrificed their lives while over 1,000 sustained battle injuries, many maimed for ever. Yet, a senior Congress leader, Rashid Alvi, had the impudence to state that commemoration was not warranted as the war took place due to an intelligence failure of the BJP government. Every Indian soldier, both serving and retired, was aghast at this brazen logic.

A notion has been deliberately perpetuated that the military must be kept under control through the bureaucracy lest it acquire political ambitions. The examples of Pakistan and Bangladesh are cited to implant fear of a military takeover in the minds of gullible and ignorant political leadership. A systematic and planned strategy has been orchestrated to downgrade the military's standing. The Sixth Central Pay Commission was the latest master stroke.

Historically, India does not have a culture of valuing its military. That is the reason that every invader succeeded in defeating and enslaving the sub-continent. If India survives today despite inept political leadership and a self-serving bureaucracy, it is due to the unquestioned loyalty of the military and enormous sacrifices of soldiers. India will do well to remember the advice offered by Kautilya to Chandragupta on the treatment of soldiers. He warned, "The day when the soldiers have to plead for their dues will bode ill for the State and will also mark the beginning of the end of the Mauryan Empire."

Great nations are distinguished by the esteem in which they hold their soldiers and care for them. Denigration of the military always proves fatal in the long run. A country that does not honour its soldiers and discredits their status loses the moral right to expect them to die for its security.

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The 1975 –batch IAS officer of the Bihar cadre has been appointed new Secretary Rural Development.

S. SUNDERESHAN
The 1976-batch IAS officer of the Kerala cadre has been become Secretary Petroleum and Natural Gas.

SUMIT BOSE
The 1976 –batch IAS officer of the Madhya Pradesh cadre has been appointed Secretary Disinvestment.

SUNIL MITRA
The 1975-batch IAS officer of the West Bengal cadre has been appointed new Secretary Revenue.

VIVEK SAXENA
The 1991-batch IAS officer of the Haryana cadre is now Director, IFS cadre management in the Ministry of Environment & Forest.

AVANI VAISH
The 1975-batch IAS officer has been appointed Chief Secretary of Madhya Pradesh.

TAJINDER SINGH
The 1991-batch IAS officer of the Manipur-Tripura cadre has joined the International Organization of Securities Commissions in Madrid.

THOMAS CHANDY
The 1985-batch IFS officer of the Sikkim cadre has become Additional Principal Chief Conservator of Forests.

KS MONEY
The 1976-batch IAS officer of the Rajasthan cadre has become Secretary General, National Human Rights Commission.

S MANOHARAN
The 1975-batch IAS officer of the Assam-Meghalaya cadre is now Special Secretary, Water Resources.

BS MALIK
The 1993-batch IAS officer of the Haryana cadre is now Vice-Chancellor of the Ch Devi Lal University.

NEYAZ AHMAD
The 1974-batch IPS officer of the Jharkhand cadre has been appointed DGP of Jharkhand.

DINESH KUMAR
The 1998-batch ISS officer has been appointed Deputy Secretary, UPSC.

SK SRIVASTAVA
The 1978-batch IAS officer of the Assam-Meghalaya cadre has been appointed Additional Secretary, Labour & Employment.

SUNEET SHARMA
The 1983-batch IRSME officer has become Chief Vigilance Officer, Projects & Equipment Corporation of India Ltd, New Delhi.

AK SINGH
The 1994-batch IPS officer of the AGMUT cadre has been posted to Delhi.

ANSHU PRAKASH
The 1986-batch IAS officer is now Additional Commissioner, MCD in Delhi.

RS SETHI
The 1973-batch IAS officer of the AGMUT cadre has been posted Commissioner (Appeals) in Delhi.

RANJIT KUMAR BHATIA
The 1974-batch IPS officer of the Uttar Pradesh cadre is now DG, ITBP.

ANIL MAINRA
The 1984-batch IFS officer of the Sikkim cadre has become Additional Principal Chief Conservator of Forests.

RAJIV KAPOOR
The 1983-batch IAS officer of the Uttar Pradesh cadre has been appointed Joint Secretary in the Department of Personnel and Training (DoPT).

PANKAJ JOSHI
The 1989-batch IAS officer of the Gujarat cadre has become Private Secretary to Tushar A Chaudhary, Minister of State for Tribal Affairs.

AR BHATTACHARYA
The 1978-batch IAS officer of the Andhra Pradesh cadre is now Additional Secretary & FA in the Department of Information Technology.

JOGINDER PAUL SHARMA
The 1981-batch IAS officer of the UP cadre has been appointed Joint Secretary in the Ministry of Development of North Eastern Region.

VIKRAM SRIVASTAVA
The 1973-batch IPS officer of the Uttar Pradesh cadre has been appointed DG of the CRPF.

ANAND PRAKASH
The 1979-batch IAS officer of the AGMUT cadre has become Principal Secretary (TTE) and Principal Secretary (Higher Education) in Delhi.

PRABODH KUMAR
The 1988-batch IPS officer of the Punjab cadre has joined the CBI as Joint Director in charge of Economic Offences.

Moving On: ias and ips officers retiring in February 2010

ASSAM-MEGHALAYA
Lambor Rynjah (1974)
CHHATTISGARH
Mansha R Thakur (1991)
HARYANA
Murari Lal Tayal (1976)
JHARKHAND
T Nanda Kumar (1972)
KARNATAKA
CR Chikkmath (1986)
KERALA
T Thankappan (1989)
MAHARASHTRA
N Arumugam (1983)
MANIPUR-TRIPURA
PS Singh (1982)
NAGALAND
Khekiye K Sema (1989)
ORISSA
Jamil Ahmad Khan (1992)
PUNJAB
Roshan Lal Kapoor (1990)
WEST BENGAL
Pramod K Agarwal (1976)

ips

AGMUT
Lalsangzuala Sailo (1987)
BIHAR
VK Joshi (1971)
KARNATAKA
MF Pasha (1986)
MANIPUR-TRIPURA
A Romen Kr Singh (1982)
NAGALAND
J Changkija (1975)
PUNJAB
Gurinder Pal Singh (1987)
RAJASTHAN
RK Chauhan (1994)

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Volatility spells tough year ahead

IF January is any guide to the markets for the months that follow, 2010 can best be summed up as a year during which it will be extremely difficult for investors to make money. The year is going to witness the kind of volatility investors have just faced and might have many surprises in store. In 2009, when everybody was preparing for the worst, the markets rebounded with a bang and now, just as everybody started singing "*Aal izz well...*", the hit song from *3 Idiots*, the market has dealt a nasty surprise.

The corporate sector's better-than-expected results came as welcome relief for investors, reaffirming the sound fundamentals of the economy due to the fact that growth in net profits was supported by expansion in revenues – unlike the previous quarter when it was mainly driven by falling input costs. The sectors recording strong growth included sugar, auto and auto ancillaries, cement, consumer durables, IT and so on. Substantial decline in interest costs was also a significant reason for the corporate sector's improved performance.

The domestic demand is likely to further prop up sectors like FMCG, automobiles, media, retail and financial services. The mega spending lined up for infrastructure by the government and private sector will not only boost the sectors with strong linkages but will also improve the productivity and competitiveness of Indian business globally. Also, due to the government's policy initiatives, many new and innovative businesses are likely to emerge in sectors such as education, media, agriculture and finance. All this will ensure that India retains its leadership position among the fastest-growing economies.

However, despite strong quarterly results and other positives, the markets have fallen sharply – compelling analysts to look deeper into the challenges facing the nation and the world as also worries surrounding the markets. At current valuations, the markets appear to have discounted all the positives but not the negatives. The Nifty/ Sensex are trading at around 24 times the trailing 12 months EPS and 18 times the projected EPS for 2010-2011, which is way ahead of the historic average valuations. In view of the fact that the future outlook for corporate earnings does not look too bright due to the challenges facing the economy, the valuations appear risky.

The inflation for December 2009 was 7.3 per cent and analysts believe that it may even touch 10 per cent in a couple of months, which is much higher than the RBI's fiscal year-end estimates of 6.5 per cent. Coupled with the fiscal deficit of around 10 per cent of GDP, the situation may require policymakers to use a combination of fiscal and monetary measures, including higher taxes, lowering of public spending, and higher interest rates. Such a policy will hurt demand growth in the economy and severely impact corporate borrowings, which in turn will negatively influence revenue and profitability. In fact, the next crisis facing major economies will be their inability to fund their deficits. Fiscal problems in Greece and Dubai are just the tip of the iceberg and are likely to be faced by the economies of the UK, Japan and even US.

The IPOs and FPOs may suck substantial liquidity, putting further pressure on equity valuations. The days ahead may witness profit booking by FIIs.

In a bid to control capital inflows, the government may take steps such as reducing interest rates on NRI deposits, tightening ECB norms, withdrawal of fiscal stimulus, and rollback of excise and service tax relief. Investors may therefore face some anxiety till the Budget makes the government's fiscal stance clearer.

The number of IPOs and FPOs lined up for the year may suck substantial liquidity, putting further pressure on equity valuations. The days ahead may witness profit booking by FIIs, who are sitting on sizeable gains over 2009. Moreover, apprehension of global difficulties might lead to flight of capital into US securities, strengthening the dollar while weakening the rupee and other currencies. However, the liquidity ensured by domestic financial institutions might limit the downside risk as the market rose despite largescale selling by FIIs.

With the decoupling theory already discarded, the Indian economy is substantially dependent on exports, ECBs, FDI and its markets on FIIs. If the global economy falters – because of rising defaults in commercial real estate and credit card loans or because of a premature withdrawal of fiscal stimulus or raising of interest rates – India will be impacted, too. Even a modest slowdown can impact our markets, never mind some drastic policy pronouncements like the one made by US President Barack Obama to limit proprietary trading by banks or tighter monetary policy by China.

Investors are advised to adopt a stock-specific approach, concentrating on companies that have potential to register higher earnings growth with good managements. Companies deriving growth from domestic consumption or those likely to be impacted by reforms and disinvestment agenda of the government are likely to yield decent returns.

Investment-related queries may be sent to gfilesindia@gmail.com with Dr Sood's name in the subject line.

Bankers, stock-brokers in CBI cross-hairs

IF bankers and professionals dealing with securities and stock markets think nobody is watching, they are hugely mistaken. The big brothers in the CBI are keeping an ever-vigilant eye on them. The experienced and efficient Director, Ashwani Kumar, brought in an IPS officer from Sardar Vallabhbhai Patel National Police Academy two months ago. This officer has been assigned to keep

track of bank and securities frauds. The CBI is not only keeping track but is also in consultation with experts in finance and bank fraud. Kumar has chosen a competent and hard-hitting officer for the job.

Nilekani's dangling carrots!

THE office of the Planning Commission on Parliament Street, New Delhi has become a hotspot for job-seekers in the Unique Identification Authority of India led by Nandan Nilekani. This office is seemingly going to be bigger than the Planning Commission itself. To lure a larger, and more competent, number of professionals among government employees, Nilekani has devised a for-

mula that bestows the salary of a Joint Secretary on a Deputy Secretary. So all those bureaucrats who are in danger of not achieving the rank of Joint Secretary in their careers are rushing helter-skelter to the Planning Commission office.

Classic case of cutting to size

FROM Bangalore comes a tale that has left us shaking our heads. When the Director of Doordarshan Kendra there was selected as an honorary member of a legal service committee by the Karnataka High Court, he wrote to the Director General, Aruna Sharma, to inform her. But Ms

ILLUSTRATIONS: ARUNA

Sharma wrote back seeking to know why he should not be dismissed from Doordarshan. The High Court, said the DG, should have sought permission before selecting you as I am the administrative head. The hapless Director then informed the High Court. The Chief Justice promptly issued a contempt of court notice against Sharma. The matter ended with her apologizing to the Chief Justice and telling the Director he could accept the appointment on the committee.

A lot of gas in Petroleum

OUTGOING Petroleum Secretary Raghaw Sharan Pandey was under tremendous pressure in the 18 months he spent in the post – from Indian business houses, various international quarters and even Minister Murli Deora. But Pandey refused to budge and did only what was justified in the interests of the consumers and the industry. He resisted pressure in connection with the India-Iran gas pipeline. Towards the end of his tenure, he was instrumental in the

constitution of the National Gas Highway Development Authority (NGHDA) – on the lines of the National Highway Authority of India (NHAI). Gas distribution is to be managed by this body in a just and equitable way. Some lobbyists are fiercely opposed to it. The file is currently with the top bosses. Watch this space. g

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